

COMMITTEE OF THE WHOLE REPORT
FROM THE CORPORATE SERVICES DEPARTMENT

ON

REVIEW OF ASSESSMENT CLASS TAX RATES

PURPOSE

To provide Council with the proposed property tax mill rates for 2019 based on the approved property tax requirements from the final figures in the 2019–2023 Five-year Financial Plan and the application of Council Policy No. GGL-27, Class 4, Major Industry Tax Rates.

COUNCIL STRATEGIC PLAN

This report supports Council's goals and objectives regarding:

- **Governance and Accountability**
 - Fiscal Responsibility: We are fiscally responsible and accountable.

SUMMARY

Setting the property tax mill rates for each class is the last step in preparing Financial Plan Bylaw No. 16-319 and Tax Rates Bylaw No. 22-1-114. Based on the provisional budget and the supplemental items approved by Council earlier this year, the property tax requirement for 2019 is \$111.7 million (a 2.98% increase over 2018).

RECOMMENDATION:

That the Committee of the Whole provide direction to staff to establish tax rates to be included in Financial Plan Bylaw No. 16-319 and Tax Rates Bylaw No. 22-1-114.

SUPPORTING COUNCIL AND CORPORATE DIRECTION

- Council Policy No. GGL-27 - Class 4, Major Industry Tax Rates

DESCRIPTION

Setting the property tax mill rates for each class is the last step in the annual budget process and is required in order to prepare Financial Plan Bylaw No. 16-319 and Tax Rates Bylaw No. 22-1-114. Based on the provisional budget and the supplemental items approved by Council earlier this year, the property tax requirement for 2019 is \$111.7 million (a 2.98% increase over 2018).

Property Classes

BC Assessment is responsible for establishing the assessed value of properties in BC. It places each property in one or more of nine classes, and this placement is typically based on the property's type or use. Municipal zoning does not determine property class; however, it may be a factor in some cases. Kamloops assessments include the following classes, as defined by BC Assessment:

Class 1, Residential - single-family residences, multiple-family residences, duplexes, apartments, condominiums, nursing homes, seasonal dwellings, manufactured homes, some vacant land, farm buildings, and daycare facilities.

Class 2, Utilities - structures and land used for railway transportation, pipelines, electrical generation, transmission utilities, or telecommunications transmitters. This property class does not include gathering pipelines, offices, or sales outlets.

Class 4, Major Industry - land and improvements (buildings and structures) of prescribed types of industrial plants, including lumber and pulp mills, mines, smelters, large manufacturers of specified products, ship building, and loading terminals for seagoing ships.

Class 5, Light Industry - property used or held for extracting, processing, manufacturing, or transporting products, including ancillary storage. Scrap metal yards, wineries, and boat-building operations fall within this category. Exceptions include properties used for the production or storage of food and non-alcoholic beverages as well as retail sales outlets, which fall into Class 6.

Class 6, Business and Other - property used for offices, retail, warehousing, hotels, and motels. This class includes properties that do not fall into other classes.

Class 8, Recreational Property, Non-profit Organization - includes two very different categories:

- **Recreational Land**
 - Land used solely as an outdoor recreational facility for specific activities, such as golf, skiing, tennis, public swimming pools, waterslides, amusement parks, marinas, and hang gliding (improvements on the land, such as a clubhouse, fall into Class 6).
 - Land in a rural area that is part of a parcel used for overnight commercial accommodation that exists predominantly to facilitate specific outdoor recreational activities, such as hunting, fishing, and kayaking. Improvements on the land most likely fall into Class 6 (e.g. a hotel).

- **Non-profit Organization Land and Improvements**
 - Property used or set aside for at least 150 days per year as a place of public worship or as a meeting hall by a non-profit, fraternal organization. The 150 days cannot include activities with paid admission or the sale/consumption of alcohol.
 - Additionally, the 150 days need to be in the year ending on June 30 of the calendar year preceding the calendar year for which the assessment roll is being prepared.

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Class 9, Farm - to qualify as farm for assessment purposes, the land must produce a prescribed amount of qualifying primary agricultural products for sale, such as crops or livestock. Farm buildings fall into Class 1.

Overall Assessed Value in Each Class

The following is a table of the overall assessed value in each class for the city of Kamloops.

Class	Assessed Value - 2019	% of total Assessed Value
1, Residential	\$14,326,653,069	85.35%
2, Utilities	\$74,109,683	0.44%
4, Major Industry	\$76,539,500	0.46%
5, Light Industry	\$100,721,000	0.60%
6, Business and Other	\$2,187,467,239	13.03%
8, Recreational Property, Non-profit Organization	\$14,699,400	0.09%
9, Farm	\$6,072,579	0.04%

The tax rates are set based on the final assessed values (“revised roll”), which is received from BC Assessment in early April. This revised roll reflects the resolution of various appeals and adjustments since the numbers were first provided in the early budget planning. For 2019, the budget estimated \$1.7 million in growth in the Kamloops roll, which reflected the strong and healthy growth in the economy across all classes. The historical budgeted rate for growth is 1% (approximately \$1.1 million), and we expect the growth rate to reduce back to the historical average over the next few years.

In 2017, Council established Council Policy No. GGL-27, which sets out a plan to reduce the mill rate for major industrial (Class 4) properties, with the goal of bringing the major industry rate in line with the provincial average. By setting a maximum value for both the tax rate and the taxes collected, there is an incentive for industries to modernize and update their facilities without those improvements resulting in a corresponding increase in taxes as their assessed values increase. The assessed value in the industry classes is reflective of not only the land and building(s), but the investment in equipment for their operations.

This policy (Attachment “A”) sets the following formulas to be used in calculating the maximum rate for Class 4 each year.

- The rate shall not exceed the 2016 mill rate of \$74.00 per \$1,000 of value.
- The maximum taxation revenue collected from Class 4 shall not exceed \$6.2 million. This includes any increases in market or non-market growth within in this class. New growth shall have the effect of reducing the tax rate.
- In subsequent years, all growth (market and non-market) from Class 4 and Class 2 shall be applied to reduce the tax rate for Class 4.
- Loss of value (through shutdowns) in Class 4 is not transferred to the remaining properties through tax increases.

The average Class 4 mill rate (which is calculated using 12 comparator cities in BC) for 2018 was \$23.36 per \$1,000 of assessed value, while the Kamloops Class 4 mill rate was \$73.34 per \$1,000 of assessed value. This rate is still the highest in the comparison group and is approximately 14 times the rate charged to residential properties in Kamloops. With the continued delay in the anticipated assessed value increase for utilities (Class 2), there is a small decrease proposed for the Class 4 rate to \$71.81 per \$1,000 of assessed value, once the principles of the policy are applied.

After adjusting the Class 2 rates to meet legislative requirements and the Class 4 rates in accordance with the Council policy, the following are the proposed mill rates for each class.

Class	2019 Proposed Mill Rate (\$ per \$1,000 of assessed value)	Expected Tax Revenue	% of Total Tax Revenue
1, Residential	4.98	\$71,346,732	63.79%
2, Utilities	40.00	2,964,387	2.65%
4, Major Industry	71.81	5,496,301	4.91%
5, Light Industry	20.39	2,053,701	1.84%
6, Business and Other	13.57	26,683,930	26.54%
8, Recreational Property, Non-profit Organization	14.52	213,435	0.19%
9, Farm	13.65	82,891	0.07%
Total		\$111,841,379	

These proposed mill rates will collect the required amount of property tax to meet the requirements of the 2019 year in the 2019–2023 Five-year Financial Plan.

Council may consider adjusting the rate to meet other objectives, keeping in mind the need to ensure the total tax requirements are met. As noted in the assessed values table, the larger the class, the more impact a small reduction or increase has on the overall tax revenue. The approximate impact in 2019 on each class of a \$0.01 change in mill rate is listed below.

Class	Approximate Impact of a \$0.01 Change in the Mill Rate
1, Residential	\$143,200
2, Utilities	\$740
4, Major Industry	\$765
5, Light Industry	\$1,000
6, Business and Other	\$21,875
8, Recreational Property, Non-profit Organization	\$145
9, Farm	\$60

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FINANCIAL IMPLICATIONS

By setting the tax rates based on Council Policy No. GGL-27, the Class 4 (Major Industry) municipal tax rate will gradually be reduced through adjusting the percentage of tax paid by the other classes. In addition, finalizing the other tax rates completes the budgeting process and allows Council to collect property taxes, which are allocated to fund various operations and projects in the 2019–2023 Five-year Financial Plan.



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Corporate Services Director



Approved for Council

KH/lm/kjm

Attachment